

# WE NEED TO REDUCE RELIANCE ON GOVERNMENT FOR AFFORDABLE HOUSING

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## *Low-income owners should put in 'sweat equity'*

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**MARTIN THOMAS**

AUSTRALIA'S housing affordability crisis is deepening. More than \$3 billion is spent by the federal government on rent subsidies, first-home owner's grants and efforts to boost public housing stocks, but our efforts are failing.

In NSW, the Premier's Innovation Initiative on Social Housing is a step in the right direction. But we need new ways for low-income families to own their homes and reduce reliance on subsidies.

One model in the US, running almost 20 years, has helped 28,000 low-income earners get a home. It provides grants of \$US15,000 per property but requires of families to provide "sweat equity" — to volunteer their labour building the home. It also involves community and corporate volunteering and donated materials keep costs low.

Every dollar of government funding unleashes \$US7 in value.

In another approach, low-income families hold a share in the property, with government, community housing providers or other partners retaining a share. It means financial institutions can provide commercially viable mortgages to families for their portion of the home.

Research by Equity Economics, commissioned by Habitat for Humanity, shows new approaches to support social home ownership, land release and reforms in plan-

ning and zoning could increase home ownership for families on low incomes.

It suggests the establishment of a \$20 million, five-year pilot program with governments providing land to the value of \$20m and the private and community sectors providing volunteer labour, affordable finance and subsidised building materials to put 200 low-income families in homes and unlock the equivalent of \$140m.

It could reap a saving of \$3m in commonwealth rental assistance over the equivalent period of the

mortgage (after excluding the \$20m cost of the program).

Struggling families live in sub-standard, transitory accommodation — or are homeless — because of a shortage of 553,000 affordable properties.

We urgently need to expand the stocks of social housing but fostering "social home ownership" is also vital.

Studies show it is preferable for some low-income families to take on affordable mortgages to own their own home rather than rent.

The research found low to

moderate-income purchasers, buying in lower-priced suburbs where amenities are available, could still support wealth generation and meant less moving and better work and school outcomes.

The first-home owner's grant, negative gearing and capital gains tax help high, not low, income earners. But in Western Australia, South Australia and the Northern Territory, programs assist low-income families access home loans and other assistance with some success.

NSW and Victoria — states

that have severe affordability challenges — should explore similar programs.

Habitat for Humanity provides socially disadvantaged people with the opportunity to purchase a home on favourable terms. It provides a no-profit loan to the family and caps repayments at 25 per cent of their disposable income. Volunteers, "sweat equity" and discounted building materials keep costs down. But the rising price of land and property values mean such models are being tested.

Hence the need for pilot pro-

grams that make available cheaper land, and corporations and community groups that contribute to finding solutions.

We must open a new front if we are going to win the battle to make housing more affordable and we must find a successful model that reduces reliance on government, and uses community involvement, the commitment of the owner and a market mechanism that makes a mortgage possible.

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*Martin Thomas is chief executive of Habitat for Humanity Australia.*